

## ***Mandate Flexibility***

**Background:** Refer to item three on Other State Reforms (Exhibit 1D)

In May 1992, the legislature established a small employer health insurance plan consisting of an insurance policy containing basic health benefits, and created a board to formulate, supervise, and modify the plan. The Governor appointed a board, composed of the Commissioner of Insurance and representatives of small employers. Besides establishing employer eligibility requirements, the board formulated the minimum benefit standards for the basic health benefit plan, determined whether coverage of any health insurance mandates would be limited and if so, to what extent, and established deductibles, copayments and maximum payment amounts for the plan.

The administrative rules implementing the basic health benefit plan became effective July 1, 1993, and all small employer insurers began offering the basic health benefit plan by December 1, 1993. The small employer board established that the basic health benefit plan must include coverage for all Wisconsin health benefit mandates, except that such plans only had to provide a \$1,400 calendar year maximum benefit (instead of \$7,000) for mental and nervous disorders, alcohol and other drug abuse. The coinsurance amount for this mandate was also reduced to 80/20 from 90/10 in the basic health benefit plan.

Fewer than 50 basic health benefit plans were sold in Wisconsin. It was suggested that one reason was the plan only provided an annual \$30,000 maximum benefit per individual.

### **Options**

1. Create a Health Benefits Board that has the authority to define and adjust the statutory mandated benefits that insurers must include in policies sold to small employers.

#### **Pro**

- This option allows a board to make a considered decision whether adjustment of the health mandates that must be included in small employer policies will significantly improve affordability.

#### **Con**

- This option may raise concerns that the board may inappropriately reduce mandated coverage and may create unrealistic expectations that reduction of mandated benefits will significantly reduce premiums.

2. Recommend repeal of the requirement that insurers include all the statutory mandated benefits in policies sold to small employers and substitute a mandate that insurers must offer the mandated benefit to small employers.

**Pro**

- This option allows a small employer to decline inclusion of any of the mandates in a policy.

**Con**

- This option is likely to be perceived as significantly diminishing the value of the mandated benefits because it invites risk selection. That is, only those who are likely to utilize the benefit will purchase it. This may make the benefit unaffordable.